



2020 Interim Results 31 August 2020

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# **Contents**



Wasion Holdings Limited 或勝控股有限公司





#### **Financial Overview**



- The Group recorded turnover of RMB 1,688 million in 1H2020 (1H2019: 1,924 million), representing a decrease of 12% YoY
- Net profit was RMB116 million in 1H2020 (1H2019: RMB170 million),
   representing a decrease of 32% YoY
- EBITDA was RMB364 million in 1H2020 (1H2019: RMB364 million ),
   maintaining unchanged
- Basic EPS was RMB0.118 (1H2019: RMB0.17), representing a decrease of RMB0.052

# **Financial Overview**



	1H2020	1H2019	Change
Turnover (RMB million)	1,687.70	1,923.93	↓12.3%
Gross Profit (RMB million)	542.69	581.27	↓6.6%
EBITDA (RMB million)	363.70	363.70	Unchanged
Net Profit (RMB million)	116.26	170.29	↓31.7%
Gross Profit Margin	32%	30%	↑2.0 ppt
EBITDA/Sales	21.5%	19%	↑2.6 ppt
Net Profit Margin	7%	9%	↓2.0 ppt
Basic EPS (RMB cents)	11.8	17.0	↓5.2 cents
Shareholders' Equity (RMB million)	4617.17	4,175.21	↑10.6%
Return On Equity (ROE)	5%	8%	<b>↓</b> 3.0 ppt
Operating Expenses/Turnover	21%	18%	<b>↑</b> 3.0 ppt
Effective tax rate	19%	14%	个5.0 ppt
Cash Investment Cycle	90 days	84 days	个6 days
Bank borrowings/Total Assets	21%	20%	<b>↑1.0</b> ppt

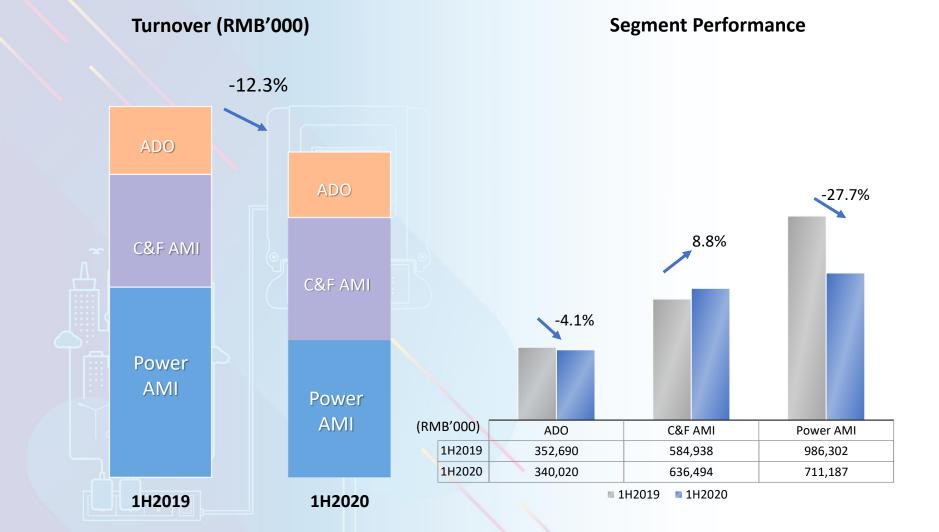




**Business Review** 

# **Key Figures**



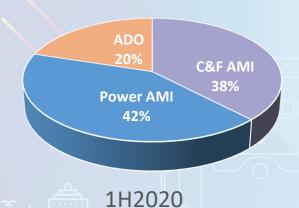


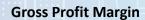
Note: ADO: Advanced Distribution Operations; Power AMI: Power Advanced Metering Infrastructure; C&F AMI: Communication and Fluid Advanced Metering Infrastructure

# **Key Figures**

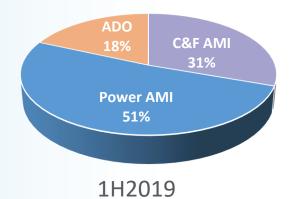


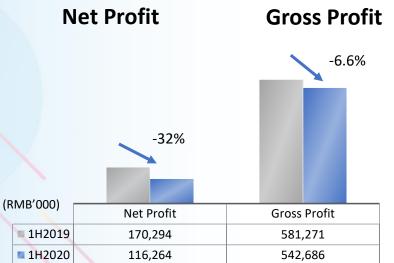
#### **Turnover (By Business Segment)**





	1H2020	1H2O19
ADO	32.6%	30%
Power AMI	29.8%	28%
C&F AMI	34.6%	35%
Overall	32.2%	30%

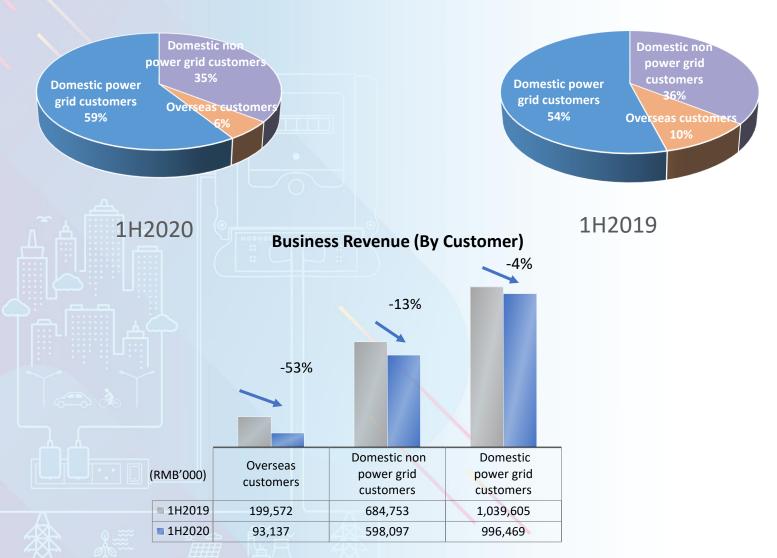




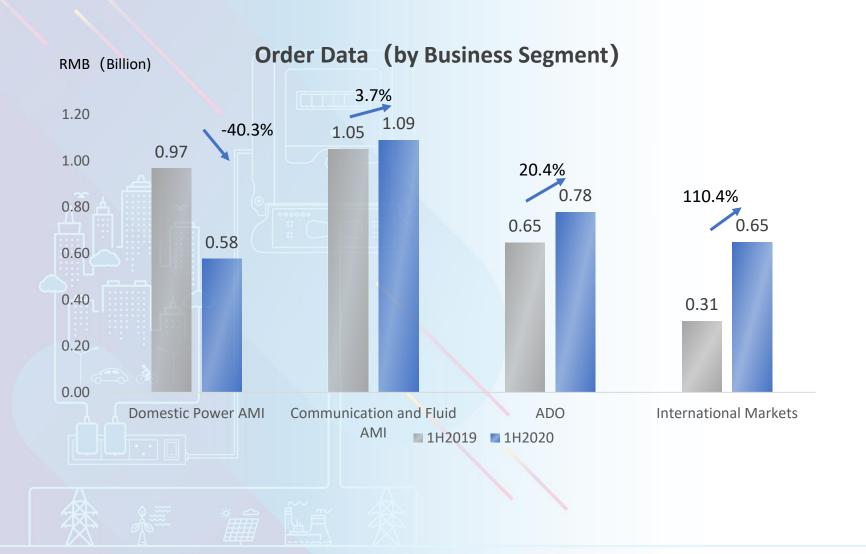
Note: ADO: Advanced Distribution Operations; Power AMI: Power Advanced Metering Infrastructure; C&F AMI: Communication and Fluid Advanced Metering Infrastructure



#### **Customer Mix**









#### **Business Overview:**

Power AMI business focuses on the research & development, production and sales of smart power meters, and in providing total solutions for energy efficiency management. These products mainly include smart metering devices like single-phase power meters and three-phase power meters.

Power AMI business mainly comprises power grid customers and non-power grid customers.

#### **Power Grid Customers**



State Grid

Southern Grid

More than 60 local power companies

## **Non-power Grid Customers**



High energy-consuming sectors such as large-scale public infrastructure, petroleum and petrochemical, transportation, machine manufacturing, metallurgical and chemical fields and residential users



#### **Review of Relevant Policies**



# **Key Technologies**

 The Group undertook research on State Grid's bluetooth interconnection, DC saturation resistance transformer and key technologies that meet the R46 standard. Relevant products were included in the technical specifications of the State Grid and have been proceeded into the testing and operation stage in Jiangsu, Hunan, Henan, Zhejiang, Liaoning and other provinces.



#### **Smart Power Meters**

 The Group developed State Grid multicore IoT smart power meters and Southern Grid multi-modular smart power meters that meet both the R46 standard and new national standard, providing smart power meters to the national power market that are safe, reliable, upgradable and have wide range and long life. This provides a solid technical foundation for the Group in competing for future tenders for nextgeneration smart power meters for State Grid and Southern Grid.







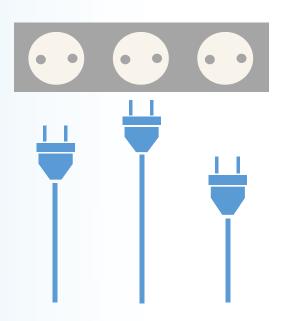
Advantage of integrated strengths in different aspects such as brand name, technology, market share, quality, business scale and management



The Group led the industry in securing approximately RMB136 million worth of contracts in unified tenders organized by the State Grid



The Group also performed well in the Southern Grid's centralized purchasing, winning contracts worth a total of approximately RMB100 million



# A Wide Variety of products



# **Intelligent Robot**





#### **Smart Electricity**



#### **Business Performance** -28% 11% Domestic and overseas non Domestic power Power grid customers AMI(overall) power grid (RMB'000) customers 310,081 676,221 986,302 ■ 1H2019 276,317 ■ 1H2020 434,869 711,186

#### **Quality Management**



#### **Customer Mix**

power grid customers
39%

Romestic power grid customers
61%

Domestic and overseas in power grid customers 31% omestic power grid customers 69%

1H2020

1H2019

# **Communication and Fluid AMI (C&F AMI)**



#### **Business Overview:**

The Communication and Fluid AMI business mainly focuses on integrated IoT application solutions in the field of smart utilities (water, gas, heat, and communication), and will gradually extend to smart park integrated management systems such as smart parks, smart water supply, smart homes, smart fire protection, and smart street lights. Products mainly include power monitoring terminals, sensing terminals for water, gas and heat, telecommunications gateways and telecommunications modules.

In January 2020, the Group's Communication and Fluid AMI business — Willfar Information Technology Company Limited (Stock Code: 688100.SH), a 58.5% owned subsidiary of the Group — received approval from the China Securities Regulatory Commission to become the first company in Hunan Province to list on the STAR Market of Shanghai Stock Exchange.

# **C&F AMI business mainly comprises power grid customers and non-power grid customers.**

# Power Grid Customers State Grid Southern Grid

# Non-power Grid Customers

Metro, rail transportation, hospitals, internet data centre, Sewage treatment plants and new energy

# **Communication and Fluid AMI (C&F AMI)**



#### **Review of Relevant Policies**



#### **Communication Business**

• In April 2020, the National Development and Reform Commission promoted the scope of "New Infrastructure" covering such different fields as 5G, IoT, industrial internet, data centers, artificial intelligence, smart transportation, smart energy, and smart parks. As an essential component of the IoT, advanced microchips have transformed information communication and signal sensing sampling from the bottom to the top of IoT architecture and play an integral role in construction of the "Cloud-Pipe-Side-End" of the IoT. The development of "domestic microchips" is a major national strategy and the Group will continue to pursue independent research and development of semiconductor to enhance its core competitiveness.



#### **Water Business**

Leveraging China's strong support for transitioning to smart water meters to help revitalize ageing communities, and after being shortlisted by water companies in Taiyuan, Lanzhou, Urumqi, and Luzhou last year, the Group was successfully shortlisted by prefecture-level water companies in Hangzhou, Jinan, Changji, Enshi, and Changde. This helped further expand the Group's customer base. During the period under review, the Group's smart water meters received several awards including being recognized as the leading quality brand by the national smart water meter industry.





# **Communication and Fluid AMI (C&F AMI)**

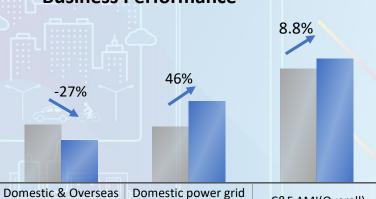






**Customer Mix** 

#### **Business Performance**



Domestic & Overseas non power grid customers 34%

Domestic power grid customers 66%

Domestic & Overseas in power grid customers 51%
Domestic power grid customers 49%

1H2020

1H2019

(RMB'000) Domestic & Overseas non power grid clients C&F AMI(Overall)

1H2019 298,284 286,654 584,938

1H2020 217,857 418,639 636,496

# **Advanced Distribution Operations (ADO)**



#### **Introduction to ADO:**

The group's ADO business focuses on smart power distribution products and solutions. As the end of the power grid, the distribution network mainly provides different terminal power distribution solutions for different users (e.g. smart grid construction requires technical requirements for transmission, distribution, and electricity consumption/hardware replacement)

# The customers of ADO business are mainly divided into three categories.

## **Power grid customers**



State Grid、
Southern Grid

# **Key industry customers**



Subway, railway transportation, hospital, data centers

# New energy industry customers



PV industry

# **Advanced Distribution Operations (ADO)**



# **Review of relevant policies**



#### **Grid Customers**

• "The Institutional Reform of State Grid (2020) No. 8," issued by the State Grid, proposes accelerating the construction of the national unified power market and the reform of power transmission and distribution.



#### **Key industry Customers**

- (I) The Ministry of Industry and Information Technology and the State-owned Assets Supervision and Administration Commission of the State Council issued "Implementation Opinions on Promoting the Coconstruction and Sharing of Telecom Infrastructure to Support the Accelerated Construction and Development of 5G Network." This spells out the new rules for the four major telecom carriers to jointly construct and share 5G communication base stations. The construction of these stations will generate new demand for the Group's smart power distribution solutions
- II) The State Council issued "Several Policies to Promote the High-quality Development of the Integrated Circuit Industry and the Software Industry in the New Era," and related policies such as tax exemption for enterprises to promote the rapid development of integrated circuit and data center industries.

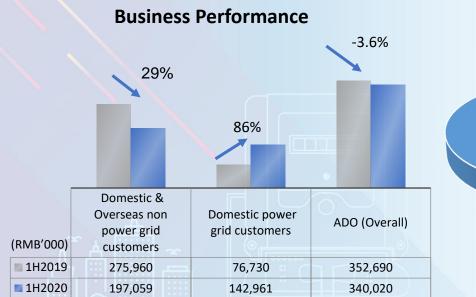


## **New Energy Customers**

"Guiding Opinions on Energy Work in 2020," formulated by the National Energy Administration, makes it clear
that in 2020, the installed capacity of non-fossil energy power generation will reach around 900 million KWh, with
electricity accounting for about 27% of terminal energy consumption, further promoting the development of the
Group's new energy business.

# **Advanced Distribution Operations (ADO)**





#### **Customer Mix**

Domestic & Overseas non power grid customers 42% 58%

1H2O2O

Domestic power grid customers 22%

Domestic & Oversea non power grid customers 78%

1H2019













# **Industry-leading R&D Capabilities**





**41** patents for new products and energy saving service



**52** software copyrights



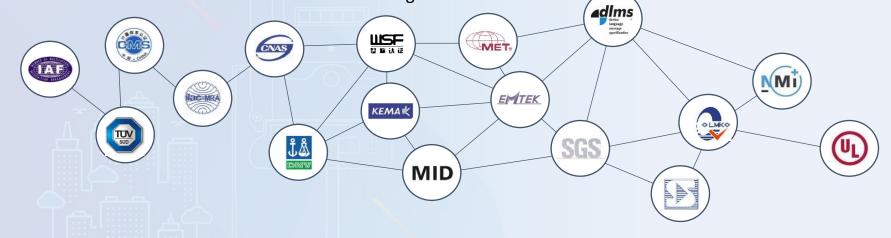
Total **1,325** effective patents for new products and energy saving service



Total **1,156** software copyrights



R&D investment reached
7.5% of total revenue





















# **Products and Services Used in A Wide Range of End Markets**



Our products are used by more than 30 million families and over 4,500 enterprises all over China in different provinces



**Rail Transportation** 

Water Treatment

**Medical Care** 

High-End Commercial Building

**Electronic Chips** 

High-End Manufacturing

**Utility Tunnel** 

**Marine System** 

Pulp and paper industry

















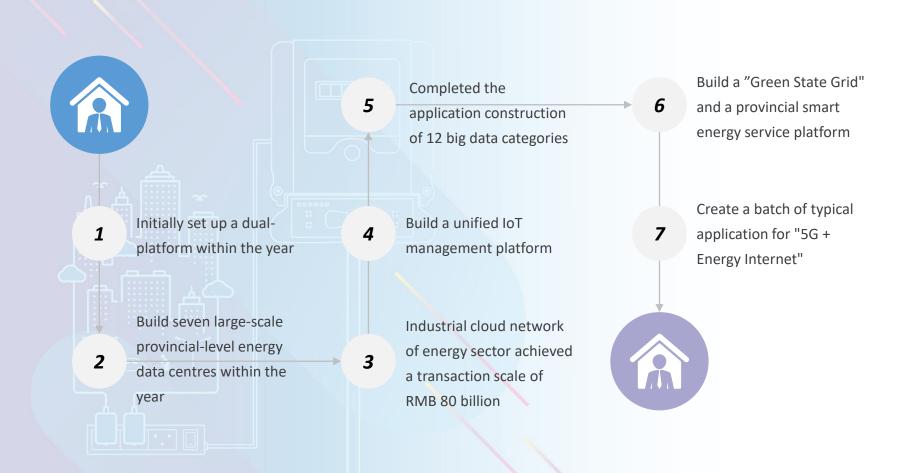






# "New Digital Infrastructure" of State Grid





# **Development Strategy in Power AMI**



#### **Power grid market**

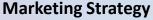
The Group will face new market opportunities in hope of acceleration in launching the tender of new-generation smart power meters





#### Non-power grid market

Seek opportunities in 5G base station construction, charging stations for electric vehicles, rail transportation, smart parks and airports and get more orders for the environment in due course



Stay close to the development of State Grid and Southern Grid to maintain its market share of high standard products

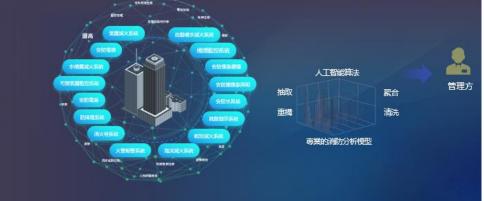




#### **Development Strategy**

Leverage the Group's leading position and integrated strengths in different aspects such as brand name, technology, market share, busines scale and management etc.





# **Concept of The Internet of Things**







- The Internet of Things, or "IoT" connects all items through the network to realize intelligent identification, information exchange and management of anyone at any time in anywhere, to realize the specific functions of the Internet of Things, and provide industry solutions for specific customers.;
- The core of IoT is the connection between people, and people and objects
- Its application includes smart cities, smart traffic, smart logistics, smart environment protection, smart living, transit, and mobile communications, etc.

# **Solutions in Communications – Internet of Things**









Commercial



















Industrial enterprise Large-scale park

building

Eco small town

Water company

Power grid

Mobile Communication

Security

Residential user

New energy vehicle

Smart street light management system solution Construction park energy management solution

Power distribution engineering & operation and maintenance solution

Smart water solutions

Smart grid/water/ gas/heat metering and management system solution

Electricity information collection and management solution

Communication solution

Smart city defense solution

New energy vehicle charging solution

Application layer

**Network laver** 

#### Smart energy management system



## Long-distance communication such as PSTN/2G/3G/4G and NB-IoT

Information collection equipment, communication modules, distribution automation products, etc.

Perceptual extension layer

Smart data collection, control equipment and communication modules Perceptual layer





Short distance communication such as HPLC, HPLC+RF dual-module, LoRa, Micro power wireless and Wi-Fi

Sensor network

#### **Detection and sensor equipment**



Smart power meters



Smart water metering



Smart current detection



Smart heat metering



Smart gas metering



Smart safety detection



Smart monitoring



**Smart Micro** Circuit **Breaker** 



Smart energy gateway

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# **Development Strategy in C&F AMI Business**





Chinese government is accelerating the coverage of Communications and Fluid AMI;

We have leading position and integrated strengths in different aspects such as brand name, technology, market share, management and busines scale

#### **Water Business**

Entered more prefecture-level water companies in cities such as Hangzhou, Jinan, Changji, Enshi, and Changde



#### **Communication Business**

Revenue from the communications sector amounted to RMB206 million, representing a YoY growth of 97.77%

#### **Smart water management**

Opened the door to smart water meters with IoT. At the same time, it followed up on the pipeline network inspection and water quality monitoring platform business to provide customers with total-key solutions



Actively expanded the integrated management system of smart parks, such as smart fire protection and smart parks, and further expanded its vertical industries

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# **Development Strategy of ADO Business**



#### **Advanced Distribution Operations**

**New generation sensing technology + Communication** technology + Internet technology

# **Smart New Energy Application Solution**



New Energy + Park Security New Energy + Public Security New Energy + **Disaster Monitoring** 

New Energy + Energy Storage **Generation Side Energy Storage Power Grid Energy Storag User-side Energy Storage** 

New Energy + Household New Energy + **Household Power supply** New Energy + Household Lighting New Energy + **Household Security** New Energy + Household **Environmental Sanitation** 

New Energy + Micro-grid Port Micro-grid **Army Micro-grid** Park / Town Micro-grid

New Energy + Smart Park New Energy + Smart Village **Rural New Energy Town** 

New Energy + New Energy + **Smart Lighting** New Energy + **Smart Sanitation** New Energy + **Smart Transportation** 









New **Energy** 



**Smart** 















# **Development Strategy of ADO Business**









Communication base station energy storage

#### Changsha subway



**Maanshan Hospital** 





Copper, lead and zinc industrial base of China Minmetals



#### Power Grid Customers:

- Launched smart power distribution primary, secondary, and primary/secondary fusion products, complete smart power distribution solutions and "new energy +" smart energy services for power systems
- Focused customers from various industries:
- Established a new business unit for 5G construction and application to better grasp the new opportunities brought by 5G development
- The State Council issued "Policies to Promote the High-Quality Development of the Integrated Circuit Industry and Software Industry in the New Era", and corresponding policies such as tax exemption for enterprises will swiftly promote the rapid development of the integrated circuit and data centre industries
- "Guiding Opinions on Energy Work in 2020," formulated by the National Energy Administration, makes it clear that in 2020, the installed capacity of non-fossil energy power generation will reach around 900 million KWh, with electricity accounting for about 27% of terminal energy consumption, further promoting the development of the Group's new energy business.





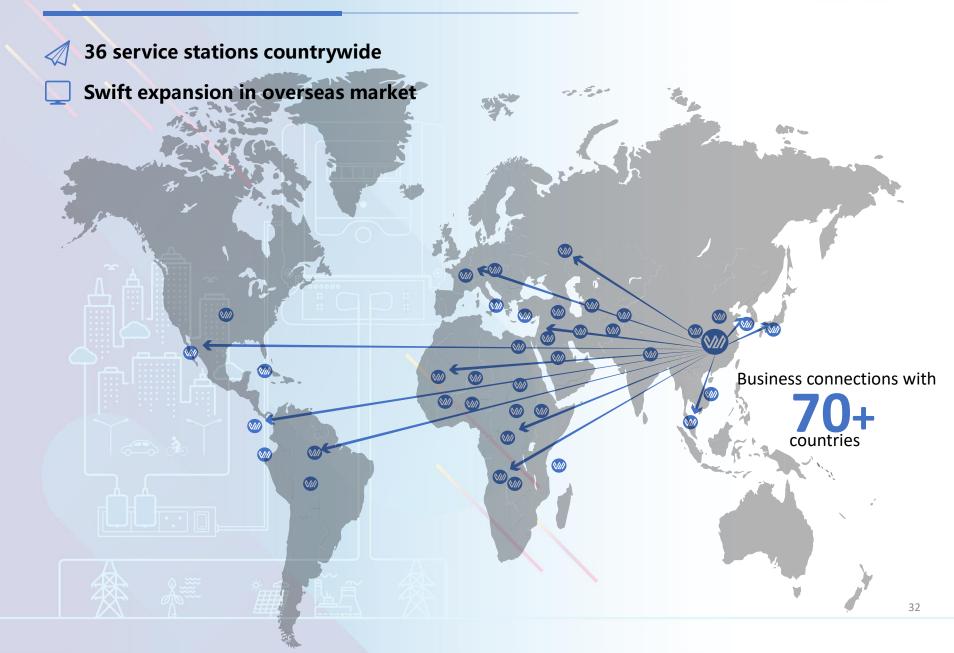






# **Overseas Market**





# **Quality Customer Base**





**Power Industry**.



**Non Power Industry** 



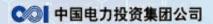










































































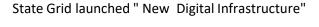


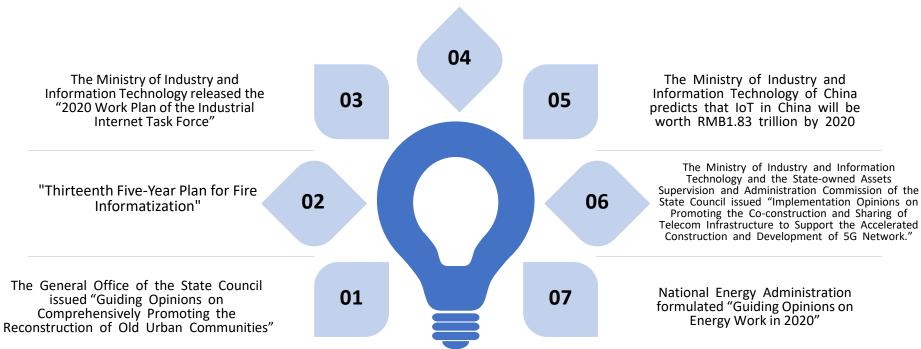






# **Outlook**











# **Outlook**

# Mid-to-long run target market scale and growth potentials



#### **Power AMI**

- Seize the opportunities driven by State Grid's new policy
- Key target markets will be smart power grid and public utilities automation
- Play a leading role in increasing demand for AMI technology and products, expanding AMI operation and maintenance services, and continuously improving the revenue scale and profitability of power markets
- Seize the development opportunities of customers in non-grid industries such as 5G base stations, new energy charging piles, rail transit, smart parks, and airports



# **C&F AMI**

- With "Ubiquitous Power IoT" and "Smart City IoT" as core, to establish the entire industry chain of the IoTs
- Maintain our leadership in AMI in water, gas and heat supply, gradually enhancing revenue scale, market share and industry influence
- Integrate with the platform capabilities of Alibaba Cloud IoT to jointly build smart brains for cities



#### **ADO**

- Actively develop new energy + solutions, which include combining new energy with storage, 5G, agricultural irrigation, monitoring operation and maintenance and other different application scenarios to enhance the overall business value
- Actively expand cooperation with local and overseas smart power distribution enterprises on technology, product and market cooperation



#### **Overseas**

- International expansion strategy focuses on developing core market and establishing local teams progressively and followed by further expansion in adjacent markets
- Asia: taking Indonesia as the center, to gradually expand into Malaysia, Bangladesh, Pakistan and India
- Exploring North and South Africa and Middle East markets
- Southern America: taking Brazil as the center and expands into Mexico, Chile and Colombia



#### M&A

 From regional and industry perspectives under the market structure, to seek for acquisition opportunities with market leading suppliers and in the subsegment market

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